GOVERNMENT OF INDIA
PANCHAYATI RAJ
LOK SABHA

UNSTARRED QUESTION NO:583
ANSWERED ON:21.11.2007
FUNDS FOR STRENGTHENING PR INSTITUTIONS
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Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) whether the Ministry has made any assessment that it required Rs. 4,000 crores for strengthening of PR Institutions in the country;

(b) if so, the details thereof and the status of the loan disbursed;

(c) whether any assessment has been made as to how much money is required for development of PR System in backward districts of the country particularly in Andhra Pradesh; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) & (b): The effective implementation of Panchayati Raj requires that transfer of powers and responsibilities to Panchayats in pursuance of the devolution of functions upon them should be matched by the concomitant transfer of funds and functionaries so as to ensure the effective performance of the transferred responsibilities. The funds transferred would include those in respect of schemes entrusted to the Panchayats for planning and implementation, block grants recommended for transfer to the Panchayats by the Central and State Finance Commissions and other untied funds. The Ministry has been pursuing the obtaining of funds through loans and grants from external agencies in order to strengthen Panchayati Raj across the country. The Ministry has adopted a three pronged approach for supplementing the resources for the strengthening of Panchayati Raj Institutions:

(i) Funding and technical support for the Panchayat Empowerment and Accountability Incentive Scheme (PEAIS):

The PEAIS is sought to be implemented across the country as a national programme through which States that are able to show better performance in implementing Panchayati Raj and Panchayats at all levels that are able to show better performance in practising transparency and being accountable to citizens, would receive incentive grants. The performance of the States and Panchayats would be independently assessed using a devolution index developed for the purpose. The PEAIS is envisaged to be Government of India led funding support, to which the World Bank and other donors could provide supplementation with additional funds. World Bank and donor funding will be subsidiary to GOI funding. The PEAIS was approved for 2006-07 as a Central Sector Scheme for the Ministry of Panchayati Raj, with a total allocation of Rs. 10 crore. A proposal for enlarging the financial allocation of the existing PEAIS to about Rs. 4000 crore through obtaining funds from Central budgetary resources as well as the World Bank is under preparation.

(ii) States-specific budgetary and technical support for institutional strengthening and capacity building of Panchayats:

The Ministry of Panchayati Raj is lending its support to proposals sent by States for fully implementing the empowerment and strengthening of Panchayats. A State specific project for Panchayat strengthening is under implementation in Karnataka. Proposals received from Kerala, West Bengal and Bihar have been formally forwarded to the World Bank and details of such State-specific projects for these States are now being worked out.

(iii) Technical Assistance:

The Ministry has obtained approval for securing technical assistance from the World Bank, for Panchayati Raj related institutional reforms and action research.

(c)&(d): The requirement of funds for Panchayats in backward districts of the country including those in Andhra Pradesh would depend upon the extent of devolution of functions to the Panchayats under the relevant Panchayati Raj Legislation and the activity mapping undertaken by the State concerned. Devolution of funds would also necessitate that each State Government includes a PRI component in its State budget, which indicates the allocation of funds to the Panchayats to match legislative devolution and activity mapping. Andhra Pradesh had committed that it would create a Panchayat sector in its budget in the financial year 2006-07 in the joint statement of conclusions signed between the Chief Minister and the Union Minister of Panchayati Raj in April 2006. The State has so far not undertaken this exercise.

The PEAIS scheme envisages that all States, including Andhra Pradesh would be eligible to receive funds under it, if it shows progress in respect of the criteria stated out in the devolution index.